

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20544**

In the Matter of the Federal-State Joint Board)	
on Universal Service)	CC Docket No. 96-45
)	
Notice of Proposed Rulemaking Seeking)	
Comment on Proposals to Modify the)	
Commission's Rules Relating to High-Cost)	
Universal Service Support.)	
)	
)	

COMMENTS OF THE ALASKA TELEPHONE ASSOCIATION

In response to the Federal Communication Commission's ("FCC" or "Commission") Notice of Proposed Rulemaking ("NPRM") released August 17, 2005, the Alaska Telephone Association ("ATA")¹ files these comments concerning the proposals to modify the Commission's rules relating to high-cost universal service support.

Each ATA member is a rural incumbent local exchange carrier ("ILEC") and a recipient of high-cost universal service support. Among the communities served are some of the most remote and inaccessible in the nation. Due to the remote locations, terrain, weather and low population densities, rural Alaskans are dependent upon

¹The Alaska Telephone Association is a trade association comprised of rural Alaska local exchange telephone companies. Its active members are Alaska Telephone Company; Arctic Slope Telephone Association Cooperative; Bristol Bay Telephone Cooperative, Inc.; Bush-Tell, Inc.; Copper Valley Telephone Cooperative, Inc.; Cordova Telephone Cooperative; KPU Telecommunications; Matanuska Telephone Association; Nushagak Electric & Telephone Cooperative, Inc.; OTZ Telephone Cooperative, Inc.; Summit Telephone Company, Inc.; TelAlaska, Inc.; United Utilities, Inc.; and Yukon Telephone Company, Inc.

universal service policy to maintain affordable, high quality telecommunications access to the ubiquitous network. The appropriate distribution of high cost universal service support is crucial to these rural customers.

There are some welcome suggestions in each of the four general proposals offered in this NPRM. Universal Service Fund (“USF”) block grants to the states is not among them. Universal service support must be sufficient and predictable to provide incentive for investment in rural infrastructure. Consumers are far better off with federal standards, process and federal administration, albeit with input and guidance from the states.

Block Grants

We appreciate the effort of individual members and staff of the Federal-State Joint Board on Universal Service (“FSJB” or “Joint Board”) to craft complex proposals to reform the Commission’s high cost support rules. Reform is necessary, however the delegation of the distribution methodology for that support to fifty individual governmental bodies – some appointed and some elected – does not facilitate a ubiquitous national telecommunications network. The public policy goal of universal service demanded by the 1996 Act would be fractured by such diversity.

In the State Allocation Mechanism (“SAM”) plan, “[e]ach State commission would be allowed to determine the distribution of its allocation to Eligible Telecommunications Carriers (“ETCs”) in its State.” Although the full amount of universal service funding would be distributed, it is a virtual certainty that with the

multitude of distribution schemes it would not be distributed sufficiently to each ETC in every state.

High cost universal service support is a cost recovery mechanism for past investment. Without some realistic assurance of that recovery, rural companies cannot be expected to make future infrastructure upgrades. The SAM even recognizes the likelihood of error and allows for FCC oversight of “any State that did not perform [its] role or is found to be out of compliance.” But how long could a small rural ILEC continue operation while awaiting an FCC determination of a State’s non-compliance and its subsequent remedy?

The second proposal is the Three Stage Package which transitions to what the author sees as the end result: “This long term plan would initially limit the growth in the size of the fund to growth in inflation.” Inarguably, dramatic fund growth is an acute problem. However, the focus of reform should be on the maintenance of universal service with the funding of that service the problem to be resolved. Appropriate universal service support cannot be considered independent of the contribution methodology.

Another end result recognized by Billy Jack Gregg, the author, is that “[m]oving to the state grant system would stabilize the size of the fund, but difficult decisions on allocating funds to different carriers and areas within each state would be transferred to state commissions.” It is hardly reasonable to expect every one of the fifty states to be equally diligent and capable when making the “difficult decisions.”

The Holistically Integrated Package proposal (“HIP”) incorporates the SAM. Submitted by Joint Board Member Robert Nelson, it permits the states “more discretion to distribute the funds” citing as an example that one state might allocate funds to only one carrier in a rural service area whereas another state might distribute funds to multiple carriers in a rural service area. Again the primary focus seems to be on the amount of funds distributed rather than the availability and affordability of services maintained. The foundation of the Holistic Package is squarely placed on a non-holistic patchwork of fifty different interpretations of the correct way to disperse funds to maintain a ubiquitous network.

Although Commissioner Nelson references previous advocacy for the use of block grants², the Joint Board itself rejected that method in the Second Recommended Decision³.

The fourth offering in this NPRM is the Universal Service Endpoint Reform Plan (“USERP”) in which, once again, the state commissions are delegated the responsibility for allocating USF support payments. The authors carefully state that there will be increased “reliance on state commissions to achieve the goals set forth in section 254.” And once again we contend that a single ubiquitous network is more likely to be

² “Cooperative Federalism: The State Perspective”, Inaugural Telecommunications Policy and Law Symposium, Michigan State University Detroit College of Law.

³ *We recognize that some state commissions may be able to ensure that high cost support is distributed to carriers and is used in a manner, consistent with federal rules, that best ensures that rates are just, reasonable, and affordable throughout the particular state. Nevertheless, we cannot recommend that the Commission adopt that mechanism....* CC Docket 96-45, In the Matter of Federal-State Joint Board on Universal Service, para. 61, November 25, 1998.

maintained when one body rather than fifty promulgates the policies for distribution of funds.

Regarding section 254(b)(3) compliance, the authors suggest adopting the NARUC Intercarrier Compensation Proposal (“NICP”) benchmark rural rate of 125% of the national urban average. That standard is not acceptable as it is contrary to both the comparable services requirement and the reasonably comparable rates provision.

In rural areas, customers have a more limited scope of local calling than do their counterparts in urban areas. Not only are fewer people accessible by a local call, but often social and business services are unavailable without the use of the toll network. As an example, in Hooper Bay, Alaska there are no federal or state offices, hospitals, doctors, dentists or WalMarts. Hooper Bay is not atypical for Alaska. Most of our communities have fewer than 1000 local access lines and many less than half that. Telephone access that an urban customer enjoys for only one monthly local rate is available to a rural inhabitant only with the addition of toll charges.

A rural benchmark 25% above the national urban average is not reasonably comparable. In light of the more limited calling opportunities in rural areas, it is confounding that paying more for less should be construed as “reasonably comparable.” Reasonably comparable rates should demand a lower rate in rural areas than in urban areas.

Useful Concepts

There are many excellent suggestions in this NPRM that we endorse and our opposition to the block grant concept does not blind us to the authors' efforts or the attention they have given to progressive concepts necessary to implement a successful universal service support program. With no intention to be comprehensive, we applaud the following suggestions and ideas:

- Use of carrier specific (not just ILEC) embedded costs.
- Elimination of the "parent trap."
- Recognition that Alaska and insular areas are "different."
- Increase in the use of VoIP and IP networks demand immediate attention to the contribution methodology.
- All categories of ILEC costs including loop, ports, switching and transport should be considered in the support calculation.
- Wireless CETCs should not recover universal service support based on ILEC costs.
- Recognizes that universal service can, but should not, fully finance CETC networks.
- Wireless CETCs funded through a separate "Portability Fund."

We hope that some or all of these worthwhile ideas will be incorporated into future universal service reform proposals.

Conclusion

We are pleased to have these proposals put forward for comment so that industry and the public might participate in the dialogue. In spite of the common thread in these four proposals, we assume that no predetermination has been made by the full Joint Board that block grants are the best solution. We expect that this block grant proposal, tantamount to a Balkanization of the rules, will jeopardize the continued maintenance of a ubiquitous telecommunications network and thus will not likely receive a warm welcome by most members of the industry. To promote future investment, rural LECs must be assured that high cost support not only will be channeled to the state in which the investment was made, but will be returned directly and completely to the LEC that made the investment. We are hopeful that the Joint Board will soon issue alternative proposals that will offer a unified federal administration of universal service support that will ensure that all citizens throughout the country will have access to modern telecommunications services.

Dated this 28th day of September 2005.

ALASKA TELEPHONE ASSOCIATION

By: _____
James Rowe
Executive Director